

ECONOMIST ARJEN ALBERTS REPORTS:

OUR TOURISM DEVELOPMENT DOES NOT LEAD TO HIGHER PRODUCTIVITY



Arjen Alberts

Out of the six Caribbean islands that are part of the Dutch Kingdom, Aruba and Sint Maarten in particular chose a high intensity tourism-driven development path, starting several decades ago. An analysis of this socio-economic model is the topic of a PhD project by political scientist and economist Arjen Alberts. For the first time, the cases of Aruba and Sint Maarten are the subject of an article published in a peer-reviewed scientific journal.

The International Development Planning Review is a journal published by the University of Liverpool, UK. Alberts' article "Immigration-dependent extensive growth in small island tourism economies: the cases of Aruba and Sint Maarten" appeared in its January 2016 edition. On his path to a PhD degree, the author will have to publish three more articles on the development model shared by Aruba and Sint Maarten.

Looking at the past 30 to 40 years of apparent fast development, Alberts argues that economic growth in Aruba and Sint Maarten has been mainly extensive, meaning that volume did indeed grow, but productivity per person did not; in other words, more quantity at the same level of quality. "After a period of rising real per capita GDP during the initial years ... of the tourism industry in its current form, both countries' real per capita GDP levels are no longer increasing, with Aruba settling at a slightly higher level than Sint Maarten."

THE DEVELOPMENT path followed by Sint Maarten and our sister island Aruba is not altogether unique; in fact, there is a documented class of island economies

known as "Small Island Tourism Economies" (SITEs) that are prevalent throughout the Caribbean and the world. Within this group of SITEs, however, both Dutch islands are at the top of the ranking in terms of intensity of tourism development.

Looking at a combination of tourist numbers in relation to its population, tourism dollars received per resident and room numbers per square kilometre, Sint Maarten and Aruba are consistently in the global top-three. Even within the worldwide group of islands specialized in tourism, both islands have taken development to the extreme.

WHILE THE economies of Sint Maarten and Aruba have grown very fast, so have their populations. As Alberts points out, Sint Maarten turned from an exporter of labour to the refineries of Aruba and Curaçao, to an immigration "node", receiving vast numbers of foreign workers to populate the rapidly growing hospitality industry; so much so, that population growth actually kept pace with economic growth. In other words, on average, economic productivity did not increase.

"Therefore, as in the case of Aruba, there is a lack of translation of tourism volume growth into real GDP increase, and therefore a lack of productivity growth." This trend is visible in Aruba after the closing of the Lago and the subsequent rapid transition to tourism, productivity did grow until 1990, but stayed level since; while in Sint Maarten, productivity did grow as well during the 1980s, also to taper off. Both Aruba and Sint Maarten show no growth in real per capita GDP since the early 1990s.

SURPRISINGLY, THE heavy emphasis on tourism, often described as a "one-pillar economy" does not seem to be a bad strategy by itself, when we look at the experience of other islands internationally.

Specialisation and dedication to one industry may indeed often be the best strategy for small islands. Moreover, tourism as a sector is far more economically "resilient" than we often think,

Alberts argues.

Although Aruba and Sint Maarten were both affected by global crises like 9/11 and the 2008 financial breakdown, the heavy reliance on tourism did not make the impact of these occurrences more dramatic than in other countries of the same scale.

AS THE AUTHOR points out, it is not the one-sided focus on tourism that makes the islands' development model vulnerable, but rather the choice for quantity over quality.

The development so far has entailed continued immigration in large numbers, rapidly increasing the population density on the islands. The continuous development of more tourism resorts fills the islands and their coastlines very fast, straining the



natural resources as well. Obviously, ever increasing volume is not a sustainable strategy for small islands. Therefore, a new emphasis is needed.

"Within the tourism sector, new niches with higher value added need to be sought out, while the bulk of the current hospitality industry needs to shrink in quantity and grow in quality. Premium trends

in tourism demand need to be sought out and catered to more effectively."

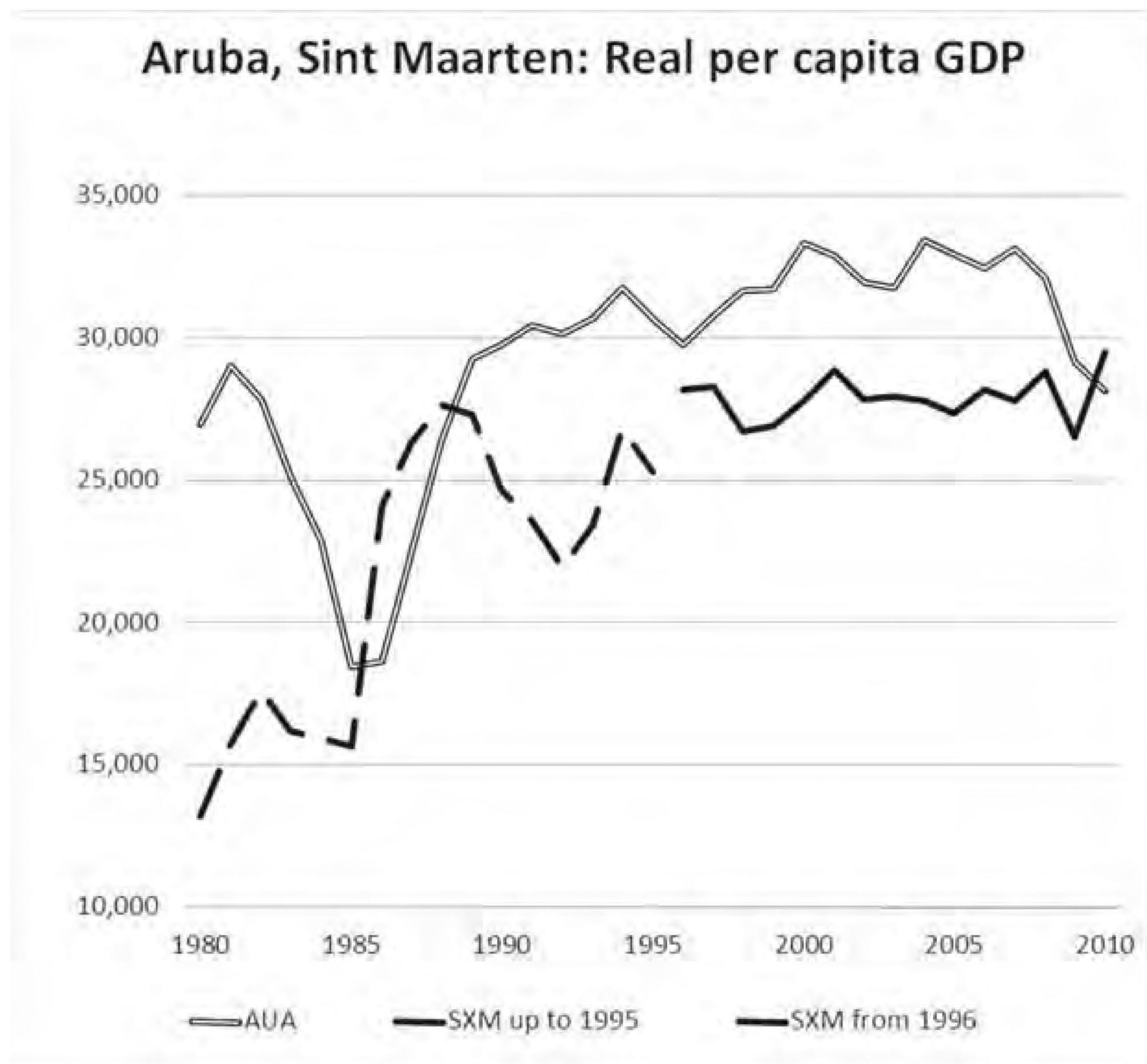
A CHOICE FOR quality over quantity cannot be realized overnight, according to Alberts. It will take a new class of investor: "One that brings a technologically more advanced 'production process' indicated, for instance, by higher levels of value added per room and per employee. This should be feasible in itself; both islands constitute known and proven markets and investment locations."

Another important condition for a higher value-added development is a better qualified workforce. "Higher and more effective education of the existing workforce will be necessary to operate more advanced (luxurious,

varied, specialised) hospitality formulas."

ALBERTS IS mildly optimistic about the chances of reaching a more sustainable development formula for Aruba and Sint Maarten, pointing also at the need for an effective role for government: "Achievement of these objectives will take strategic efforts in close public-private cooperation, affecting all factors of production and the institutional framework in which they operate."

Immigration-dependent extensive growth in small island tourism economies: the cases of Aruba and Sint Maarten is available via <http://online.liverpooluniversitypress.co.uk/loi/idpr/38/1>



Stagnation of productivity in Aruba and Sint Maarten

(vertical: average annual real per capita GDP in dollars of 1996)

This graph is the most clear indicator that Aruba as well as Sint Maarten have grown without increasing quality of production. It shows the development of real per capita GDP in Aruba and Sint Maarten since 1980 until the present day. An increase in real per capita GDP would signify a growing productivity, in other words more wealth is created per person on the island. However, as we can see from the development plotted here, no sustained increase in productivity has taken place since the 1990s. Both islands stay at the same level of real production, with Aruba settling in somewhat higher than Sint Maarten, until recently.